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Agricultural Situation

This Week in Canadian Agriculture, Issue 5 2003

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Report Highlights: FDA Outreach Program Outlines Bioterrorism Regulations for Government and Industry Officials in Agriculture * Canadian Food Inspection Agency Undergoes Organizational Changes * CFIA Revises Starlink Corn Monitoring Policy * Canada Extends Poultry Meat Ban to Include Arizona * CWB Launches Competitive Marketing Campaign in Japan * Softwood Export Tax a Possibility * SaskPool Revamps Restructuring Plan * FAS/Ottawa holds Canada Concepts Marketing Workshop in Montreal.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

FDA OUTREACH PROGRAM OUTLINES BIOTERRORISM REGULATIONS FOR GOVERNMENT AND INDUSTRY OFFICIALS IN AGRICULTURE: This week, a U.S. Food and Drug Administration outreach team, held a one-day seminar at the headquarters of Agriculture and Agri-Food Canada (AAFC) in Ottawa to inform Canadian government and agriculture industry officials on two of the FDA's proposed regulations under the Bioterrorism Act of 2002. The seminar, which was electronically fed to AAFC's regional offices across Canada, focused on Section 305: Registration of Food/Feed Facilities and on Section 307: Prior Notice of Imported Food Shipments. Following the presentations, Canadian government and industry officials expressed concerns directly to the FDA panel which centered mostly on the "prior notification" timetable provisions. According to Canadian exporters of perishables such as fish, seafood, and horticultural items, the current proposals would sound a knell for certain segments of their industries which rely on exporting fresh commodities to the United States within hours of their harvest. A spokesperson for the Canadian trucking industry expressed concern about potential complications of prior notification arising from the common practice of consolidated shipments. A Canadian meat industry spokesperson was worried that U.S. commodity groups may indirectly use the FDA regulations as a non-tariff barrier.

CANADIAN FOOD INSPECTION AGENCY UNDERGOES ORGANIZATION CHANGES: The Canadian Food Inspection Agency's (CFIA) Headquarters structure has made some organizational changes, reported the Canadian Association of Importers and Exporters On January 29, 2003. Three major changes involve: a new Science Branch; a new Liaison, Preparedness, and Policy Co-ordination Directorate; and the creation of a Food Safety Directorate within the Programs Branch. The creation of the Science Branch will ensure that a co-ordinated scientific perspective is conveyed in dealings with the rest of government and with industry groups, as well as with international organizations. The new Liaison, Preparedness, and Policy Co-ordination Directorate will be organized to effectively deal with government central agencies, other departments, and key stakeholders, such as the provinces, on preparedness issues. This new organization will also be responsible for regulatory and intergovernmental liaison functions. The creation of a Food Safety Directorate within the Programs Branch will provide a focal point for horizontal food safety policy and co-ordination. It is intended to bring together those groups dealing with food safety investigations, food recalls, and fair labeling practices. CFIA expects all changes to be in place by April 1, 2003.

CFIA REVISES STARLINK CORN MONITORING POLICY: The Canadian Food Inspection Agency (CFIA) is revising its StarLink monitoring activities to better reflect the reduced risk of

unapproved importation of StarLink corn from the U.S. Effective January 31, 2003, importers will not have to present StarLink related testing documentation to the CFIA prior to importing whole grain corn. However, the CFIA, at its discretion, will request and inspect StarLink related testing documentation. Importers that fail to provide testing documentation will be subject to appropriate compliance and enforcement action by the CFIA. There is no change in the status of StarLink corn -- it remains unapproved for release into the environment as seed, and use as human food or animal feed in Canada. StarLink corn cannot be imported legally into Canada. In any situation where StarLink corn is determined to be present in food, seed or feed products imported into Canada, the CFIA will continue to take appropriate compliance and enforcement action. Importers of whole grain corn and corn products must continue to maintain adequate documentation demonstrating that all whole grain corn and corn products imported from the U.S. have been tested for StarLink and that StarLink has not been detected. CFIA has not detected StarLink corn in any food or seed in nearly two years of testing. CFIA has not found StarLink in feed since it reported finding trace amounts in a feed shipment entering Canada in September 2002. As such, the CFIA will only test food, feed, and seed in situations where the Agency suspects that StarLink corn may be present.

CANADA EXTENDS POULTRY MEAT BAN TO INCLUDE ARIZONA: The Canadian Food Inspection Agency's (CFIA) ban on imports of poultry meat and poultry meat products from California and Nevada now includes Arizona following the discovery of Newcastle disease in poultry flocks in that state. Meanwhile, U.S. animal health officials continue to implement control measures for Exotic Newcastle Disease. Last week, the CFIA announced that U.S. pet food containing any poultry products/by-products may be imported into Canada if each shipment is accompanied by Animal and Plant Health Inspection Service (APHIS) certification. Other poultry related commodities are also accepted for importation into Canada if certain conditions are met. For more information, see the CFIA webpage:
<http://www.inspection.gc.ca/english/anima/heasan/policy/ie-2003-1-4e.shtml>

CWB LAUNCHES COMPETITIVE MARKETING CAMPAIGN IN JAPAN: The Canadian Wheat Board (CWB) recently announced that Japan's 1,300 Mister Donut outlets are placing waxed sheets advertising Number 1 Canada Western Red Spring wheat on customers' trays as part of a three-month promotion. The sheets say wheat used in the company's donuts is grown in Western Canada and is the best quality Canadian wheat available. Mister Donut purchases its flour from Nippon Flour Mills, a buyer of western Canadian wheat.

SOFTWOOD EXPORT TAX A POSSIBILITY SAYS NATURAL RESOURCES MINISTER DHALIWAL: The January 31, 2003 *Globe and Mail* reported that the Canadian government may propose an export tax as an "interim measure" to break the Canada-U.S. log-jam over softwood, quoting Natural Resources Minister Herb Dhaliwal. Mr. Dhaliwal said International Trade Minister Pierre Pettigrew will make a new proposal when he meets with his U.S. counterpart next week in Washington. "It could be some sort of interim (measure), whether it'll be an export tax is difficult to say," said Mr. Dhaliwal, who comes from British Columbia — the province hardest hit by the trade dispute. "It could be an interim solution to (the dispute). As long as it leads to a long-term solution, (so) that we aren't doing this again two years later." Speaking outside the Canadian House of Commons, Mr. Dhaliwal said it's too early to say whether a deal could be reached at next week's meeting. The notion of an export tax is very controversial. Some

provincial politicians and unions in B.C. favor the idea while Quebec doesn't like it all. Such divisions challenge Mr. Pettigrew's efforts to present a united Canadian front in any dealings with the U.S.

SASKPOOL REVAMPS RESTRUCTURING PLAN: The February 3 *Globe and Mail* reported that Saskatchewan Wheat Pool (SWP) said that it amended its restructuring plan over the weekend, gaining support from bond holders. An ad hoc committee representing more than 42% of the bonds had vowed to oppose the deal, partly because some bank debt would be paid off ahead of the bonds in the event Regina-based SWP became insolvent. The weekend bargaining session lead to amendments which have been finalized and have the necessary support of both the noteholders and the banks, SWP's principal creditor groups. "This is an important milestone for the company," said chief executive officer Mayo Schmidt. "The restructuring plan addresses the Pool's balance sheet and liquidity issues. It also sends a clear message to our customers and stakeholders that Saskatchewan Wheat Pool will remain a strong competitor in the grain handling business, and should give our employees a new sense of excitement about the future." Canada's No. 2 grain company is in technical default on some of its bank debt, but the company's bankers had agreed to hold off on any action so long as the restructuring plan was approved by Jan. 31. The company missed an interest payment on the C\$300-million in medium-term notes in mid-January. It has until Feb. 18 to make that payment, but will not be able to do so without fresh financing. SWP has 70,000 farmer-shareholders, about 7,000 bondholders and, with 1,565 employees, is the province's largest private sector employer.

CANADA CONCEPTS MARKETING WORKSHOP: FAS/Ottawa held its fifth annual marketing workshop on February 5th in Montreal, Quebec. Organized in conjunction with the Canadian Produce Marketing Association (CPMA) Convention and Trade Show, Canada Concepts provided a forum for approximately 35 FAS staff members, cooperators, State Department of Agriculture personnel, and Canadian marketing representatives to discuss market constraints, potential cooperative activities and plans for meeting objectives. Several speakers updated the group on ongoing activities and presented new initiatives for consideration. Many positive ideas were generated from the discussions, and FAS/Ottawa will follow up to maintain open communication among the attendees.

Did You Know ...that almost 2 million people are employed in a food-related jobs in Canada . This represents 14% of Canada's total employment. The highest rate of employment in the agri-food industry is in the hotel, restaurant and institutional sectors which employ approximately 36% of Canadian food industry workers. (Source: AAFC)

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA3007	This Week in Canadian Agriculture, Issue 4	1/30/2003
CA2146	Solid Wood Products Annual	1/28/2003
CA3006	Snack Food Market In Canada	1/24/2003

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